Direct Dial/Ext: 03000 416892 / 416478
e-mail: anna.taylor@kent.gov.uk
Ask for:
Date:

Dear Member

SCRUTINY COMMITTEE - TUESDAY, 9 JUNE 2020

Please find enclosed a copy of the presentation given by the Corporate Director for Finance at Scrutiny Committee on 9 June 2020.

Agenda Item No
C1   **Impact of Covid-19 Outbreak on 2020-21 and 2021-22 Budgets (Presentation) (Pages 1 - 8)**

Yours sincerely

Benjamin Watts
General Counsel

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C1: Impact of Covid – 19 Outbreak on 2020-21 and 2021-22 Budgets

Mr Oakford – Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

Zena Cooke – Corporate Director for Finance

The financial implications of Covid-19

Government Funding - KCC

- Funding allocated to KCC
  - Share of **£3.2bn Emergency Grant** in two tranches worth £39m and £28m to KCC. Grant is un-ring-fenced and can be used as authorities see fit:
    - First tranche weighted for adult social care needs
    - Second tranche allocated by population (with arbitrary two-tier split)
  - Other grants for specific purposes (not included in cost estimates):
    - Share of **£600m Social Care Infection Control Grant** worth £19m to KCC be paid to Care Homes (costs and grant not included in MHCLG estimates)
    - Share of £300m **Test and Trace Grant** (awaiting detail of allocations)
    - Share of £21.5m **Bus Services Support Grant** worth estimated £720k to KCC
  - Advance payment of £33m of grants already included in 2020-21 settlement/budget (so not additional just helps cashflow)

Government Funding – Kent

- Funding allocated to Kent districts, boroughs and Medway totals £29.3m
- Other funding received includes:
  - Shares of £3.2m **Rough Sleepers Grant**
- Funding received but passported through:
  - Shares of £500m **Council Tax Hardship Fund**
  - Shares of £12.3bn **Small Business Fund Grants**
  - Shares of £617m **Discretionary Local Authority Business Grants**
  - Shares of £9.7bn for additional Covid-19 business rates discounts
- Advance payment of grant and deferred remittance of central share of business rates for 3 months to help cashflow

Cost and Income Loss Estimates – KCC

- Latest Estimates as at the end of May 2020 show additional costs of £100m and £17m loss of income – estimates refined each month

- Approximately 50% is Adult Social Care costs

- Other costs include Children's Services, Mortuary Provision, financial support for the supply chain

- 2020-21 Budget included £30m of savings and income – £7m identified as not deliverable

- Shortfall in Government Funding for KCC is £50.5m

- Does not include any additional spending for recovery or a second wave of the outbreak

Cost and Income Loss Estimates – Kent

- Latest Estimates as at the end of May 2020 show additional costs for districts, boroughs and Medway Council of £30m
- Other costs include Homelessness and Community Hubs
- Estimates of loss of income for districts, boroughs and Medway Council significantly higher – £195m
- £110m is estimated council tax income losses
- Other income losses include business rates, fees and charges
- Shortfall in Government Funding is £195m
- Does not include any additional spending for recovery or a second wave of the outbreak

Conclusions and Next Steps

- The financial implications for KCC and for Kent more generally are significant and will impact in year if costs and income losses are not fully reimbursed by Government

- On-going impact of council tax income losses could be severe depending on depth and length of any recession

- Requirement to balance the budget remains

- Scenario planning for 2020-21 and 2021-22 budget underway – significant uncertainty

- Report to June Cabinet setting out high level estimates of funding gap and reset of 2020-21 revenue and capital budgets to present to full Council in September.

- Any drawdown from reserves will need to replaced in 2021-22 to minimise impact on the council's financial resilience. The council's reserves are adequate but not generous £32m general and £192m earmarked.

- No immediate concerns which warrant consideration of formal S114 notice

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